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FM AMCONSUL SURABAYA
TO RUEHJA/AMEMBASSY JAKARTA 0498
RUEHC/SECSTATE WASHDC 0508
INFO RUEHJS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEHBY/AMEMBASSY CANBERRA 0227
RUEHWL/AMEMBASSY WELLINGTON 0195
RUEHC/DEPT OF LABOR WASHINGTON DC
RUEHJS/AMCONSUL SURABAYA 0521

UNCLAS SURABAYA 000122

SIPDIS

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TAGS: [ELAB](#) [ECON](#) [ID](#)
SUBJECT: EAST JAVA MINIMUM WAGE LEVELS DISPUTED

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¶1. (SBU) Summary: Local governments revise the monthly minimum wage on an annual basis. Revisions are based on annual cost of living surveys conducted by Wage Councils. The Wage Councils represent government, business, labor, and academia. In East Java, labor is concerned that the 2010 minimum wage is too low. The East Java government plans to introduce a tiered minimum wage system in 2011. End Summary

¶2. (SBU) Due to decentralization, local governments at the city and regency level determine the monthly minimum wage. The minimum wage is re-evaluated annually. Each regency or city has a Wage Council that submits a proposed minimum wage to the mayor or regent for review. The Wage Councils perform an annual cost of living survey to determine the proposed minimum wage. The survey focuses on the price of 46 goods and services at several low-cost markets in the regency or city. The list of goods and services considered in the survey is mandated by national law. The survey focuses on the cost of living for an individual. Mayors and regents submit the suggested wage to the provincial governor for final approval. While regents and mayors will occasionally alter the Council's proposal, or even choose between competing proposals that come out of the Council, governors generally approve regents' and mayors' suggestions.

¶3. (SBU) The Wage Councils consist of representatives of government, business, labor, and academia. While there is no regulatory requirement regarding the number of members on the Council, by law, the ratio of government, business, and labor representatives must be 2:1:1. There is no restriction on the number of academics on the Council. The relevant government institutions choose the government representatives, local business associations choose the business representatives, labor union organizations choose the labor representatives, and the mayor or regent chooses the academic experts. Council members serve for three-year terms.

¶4. (SBU) The provincial government announced the 2010 minimum wages for East Java in November. Wages are scheduled to increase in every city and regency in the Province. The increase varies from 1% in Magetan Regency to 20% in Pamekasan Regency, as compared to the 2009 wage. The highest wage continues to be in Surabaya City, at \$109 per month. The lowest wage, \$66 in Pacitan Regency, is the lowest in Indonesia. The chairman of the East Java Business Association (APINDO), Alim Markus, said that APINDO accepted the minimum wage increases since the process followed the proper procedure.

¶5. (SBU) However, the East Java Labor Alliance (KASPI) has held demonstrations protesting the 2010 minimum wage as being too low. Jamaludin, the coordinator for KASPI, said that his

organization performed an independent cost of living survey and found that the proposed wage for Surabaya should be \$120 per month. He also said that the average 2010 minimum wage in East Java, at \$83, is much too low when compared to Jakarta's average of \$118 and West Java's average of \$90. Syaiful Aris, the director of Surabaya Legal Aid, argued that the minimum wage formulation frequently does not accommodate labor's interests because of the low number of labor representatives on the Council.

16. (SBU) In an effort to address these concerns, the East Java governor is planning to apply a tiered system to determine the upcoming 2011 minimum wage. Under the new system, there will be minimum wage tiers based on the type of job and the education and skill levels of the employees. The wage at the lowest tier would be based on the current minimum wage levels. The Vice Governor of East Java, Saifullah Yusuf, said that this tier system will address the concerns caused by the current system. However, Jamaludin expressed concern that, under the new system, the lower tier wages would fall behind increases in the cost of living. He pointed out that many workers in East Java are uneducated and unskilled. The East Java Manpower Department's data shows that 60% of East Java's work force has an elementary level education, or lower. Jamaludin said that the government should remember that the minimum wage is part of government's social program and should be based solely on the cost of living and not on the skill or education level of the workers.

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